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C O N F I D E N T I A L PARIS 008603

SIPDIS

E.O. 12958: DECL: 12/14/2015

TAGS: PREL EFIN EAID IZ FR

SUBJECT: FRANCE SIGNS 80 PERCENT DEBT REDUCTION AGREEMENT  
WITH IRAQ

REF: A. PARIS 8461

1B. PARIS 8441

Classified By: Acting Political Counselor Bruce Turner, reasons 1.4 (b)  
and (d).

11. (U) On December 21, the GoF signed a bilateral debt reduction agreement with Iraq, in accordance with Paris Club terms agreed to in November 2004. The agreement offers an 80 percent cancellation of Iraq's debt between 2005 and 2008, disbursed in three tranches linked to implementation of Iraq's stand-by agreement with the IMF. According to the French MFA, the total amount of canceled debt will amount to some 4 billion euros (one euro equals about 1.20 USD) between 2005 and 2008. The MFA announcement of the agreement concluded, "While Iraq is entering a crucial phase of its political transition after the December 15 election of a National Assembly, France sends a strong signal of its willingness to contribute substantially to the recovery of the financial situation of the country and its reconstruction."

12. (C) Comment: We welcome this positive development, which French officials have foreshadowed for some time (reflets). At the same time, GoF efforts to portray the debt agreement as "new news" suggest a continuation of French efforts to play up existing assistance/offers to Iraq, while avoiding the topic of new aid. End comment.

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Stapleton